

CON. He 1:
85

350 nd Educational
Facilities Authority

MAY 30 1986
Annual Report 1985

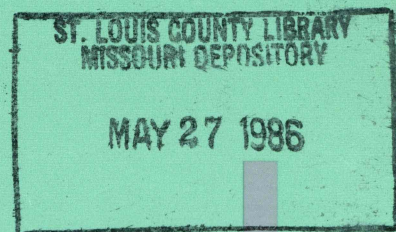


TABLE OF CONTENTS

Chairman's Letter	1
The Authority	2
Authority Members	3
Cummulative Summary of Financings	4
Authority Financial Services	5
Institutions	7
Health and Educational Projects	9
Financial Statements	15

ST. LOUIS COUNTY LIBRARY
MISSOURI DEPOSITORY

MAY 27 1986

Completing \$712 million of financings in twenty separate bond issues, the Missouri Health and Educational Facilities Authority experienced its most active year ever during 1985.

The first reason for this record was, and is, the new found flexibility and adaptability of Authority policies and requirements. Analyses on an institution by institution basis are conducted to evaluate financial needs and financial strengths, thus arriving at the most appropriate plan of financing. These evaluations are carefully completed before restrictive covenants aimed at average credit borrowers are levied against specific borrowing institutions.

A second reason contributing to the record amount of financings in 1985 is the apparent imminent enactment of the Tax Reform Act (H.R. 3838) and its severe limitations on the issuance of tax-exempt bonds for private

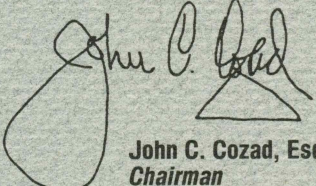
not-for-profit organizations, including hospitals and universities. Many Missouri institutions completed financings in 1985 due to the potential restrictions on such tax-exempt offerings.

Among the completed financings of 1985, the Authority is especially pleased to offer funds through its Public School District Tax Anticipation Funding Program and its Equipment and Capital Loan Program. Both of these programs reflect expansion and innovation into areas not previously available for Missouri borrowing institutions. As a result of these programs' completions, funds are currently available to Missouri institutions irrespective of the impending Tax Reform restrictions.

During 1985, Steven J. Dust was appointed to the Authority as its newest member. The Authority looks forward to his contributions throughout his term of service. Also, the firm of Cain Bros., Shattuck and Co., a specialist in health care capital finance, was selected financial advisor.

The Authority looks forward to continuing its service to the health care and educational institutions of Missouri throughout 1986. As a result of the record number of financings completed in 1985, the Authority expects to lower once again its annual service fee. This reduction, along with the usual scrutiny of fees and expenses associated with bond financings, allows the Authority to accomplish its goal of lowering the costs of capital financing for borrowing institutions thereby reducing the health care and educational costs to the residents of Missouri.

Uncertainty prevails with respect to H.R. 3838 and its future impact on tax-exempt bonds for health care and educational institutions. Whatever the result, the Missouri Health and Educational Facilities Authority will continue to provide the lowest cost financing alternatives for Missouri institutions while ensuring an attractive investment for its bondholders.



John C. Cozad, Esq.
Chairman

The Health and Educational Facilities Authority of the State of Missouri, created by an Act of the Missouri General Assembly and operational in 1979, is empowered to make loans to any participating health or educational institution and to refund outstanding obligations, mortgages or advances issued, made or given for the cost of facilities.

The Authority assists not-for-profit institutions in borrowing funds at the lowest possible cost in order to provide quality medical and educational services to Missouri residents. Interest paid on Authority bonds and notes is exempt from federal and Missouri state income taxation, resulting in materially lower interest rates for substantial savings on financing costs.

Many types of health care and educational institutions across the state receive financing assistance from the Authority. Health care financings have been arranged for health facilities ranging from 128 to 1,208 beds, including acute and primary care facilities, teaching centers, osteopathic hospitals, retirement and nursing homes, specialized care centers and alcoholic rehabilitation treatment centers. Educational financings include liberal arts colleges, major research universities and medical schools and institutions of specialized instruction.

In addition, during 1985 the Authority became authorized to assist public school districts and community colleges with loans to fund shortfalls in operating funds during the school year.

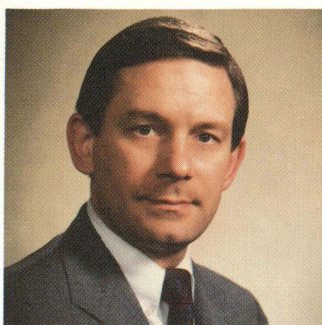
The Authority's bonds and notes do not constitute a debt or liability of the State of Missouri or of any political subdivision thereof, within the meaning of any State constitutional provision or statutory limitation. The Authority has no taxing power. The credit supporting any Authority note or bond issue is the credit of the individual borrowing institutions. The bonds and notes are limited obligations of the Authority payable solely from payments made by the borrowing institution.

The validity of the Authority's Act was upheld by the Missouri Supreme Court in *Menorah Medical Center vs. Health and Educational Facilities Authority of the State of Missouri* 584 S.W.2d 73 (MO (1979)).

MEMBERSHIP

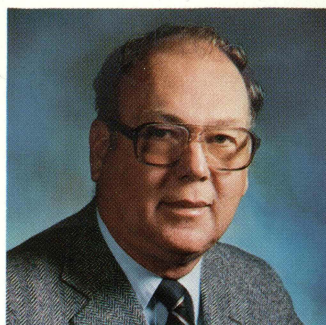
The Act provides for seven members appointed by the Governor of the State of Missouri, with the advice and consent of the Senate. Each member must be a resident of the State and no more than four members may be of the same political party. Initially members were appointed to various terms of office. Members now are appointed for terms of five years.

AUTHORITY MEMBERS



John C. Cozad, Esq.
Chairman

Mr. Cozad, a resident of Kansas City, Missouri, is a partner in the law firm of Morrison, Hecker, Curtis, Kuder, and Parrish. He is a member of the Missouri Bar Association, American Bar Association, and Kansas City Bar Association. He also is a member of the Lawyers' Association of Kansas City and the Western Missouri Defense Lawyers and is President of the Jackson County Law Library. Mr. Cozad is active in various civic organizations. Term as a member expires July 30, 1986.



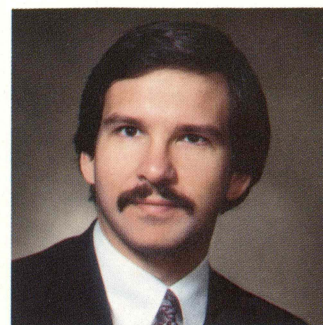
Paul F. Pautler,
Vice Chairman

Mr. Pautler, a resident of Perryville, Missouri, is a businessman and former publisher of the *Perryville Monitor* and *Perry County Republic*. Mr. Pautler is a member of the Chamber of Commerce of Perryville and is active in other church and civic associations. He is a former member of the Board of Education, Perry County District No. 32. Term as a member expires July 30, 1987.



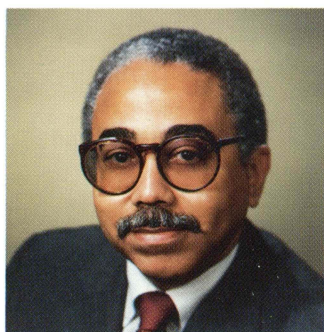
John W. Boyd,
Treasurer

Mr. Boyd, a resident of Clever, Missouri, is the Executive Director of Medical Defense Associates, an insurance company which specializes in medical malpractice insurance. He is also President of Medical Defense Insurance Company, President of Medical Defense Services Corporation, President of Future Innovations, Inc. of St. Louis and President of JMB Farm, Inc., a cattle operation. Mr. Boyd is an active contributor to various community activities. Term as a member expires July 30, 1988.



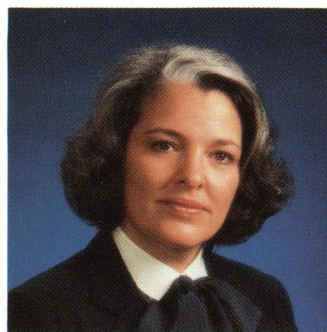
Steven J. Dust

Mr. Dust, a resident of Sedalia, Missouri, is Manager of Marketing for Septagon Industries, Inc. Mr. Dust is District Director and Finance Chairman on the Missouri Industrial Development Council and is the former Director of the Missouri Division of Community and Economic Development. Mr. Dust also serves on the Sedalia Planning & Zoning Commission and is President-Elect to the Sedalia Area Chamber of Commerce. Term as a member expires July 30, 1989.



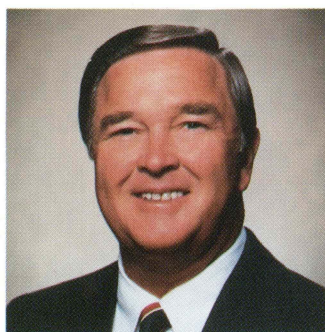
Aaron E. Phillips

Mr. Phillips, a resident of St. Louis, Missouri, is the President of Grand Manor Redevelopment Corporation. Mr. Phillips is active in various civic associations including the United Negro Scholarship Fund and the Boy Scouts of America. Mr. Phillips is former Treasurer of the St. Louis Branch of the National Association for the Advancement of Colored People. Term as a member expired July 30, 1985. Mr. Phillips continues to serve as a member of the Authority until a successor is chosen.



Judith Wangelin Scott

Mrs. Scott, a resident of Poplar Bluff, Missouri, is an instructor in the humanities at Three Rivers Community College. Mrs. Scott is President of the Poplar Bluff Public Library Board of Trustees, Past President of the American Association of University Women, and a member of the Butler County Executive Board of the American Cancer Society. Term as a member expires July 30, 1989.



James W. Shaffer, Esq.

Mr. Shaffer, a resident of Independence, Missouri, is Of Counsel to the law firm of Linde Thomson Fairchild Langworthy Kohn & Van Dyke, P.C. He is a member of the Eastern Jackson County, Missouri, Kansas City and American Bar Associations. Mr. Shaffer is active in civic associations and is a former member of the Board of Trustees of the University of Missouri Law School Foundation. Term as a member expires July 30, 1988.

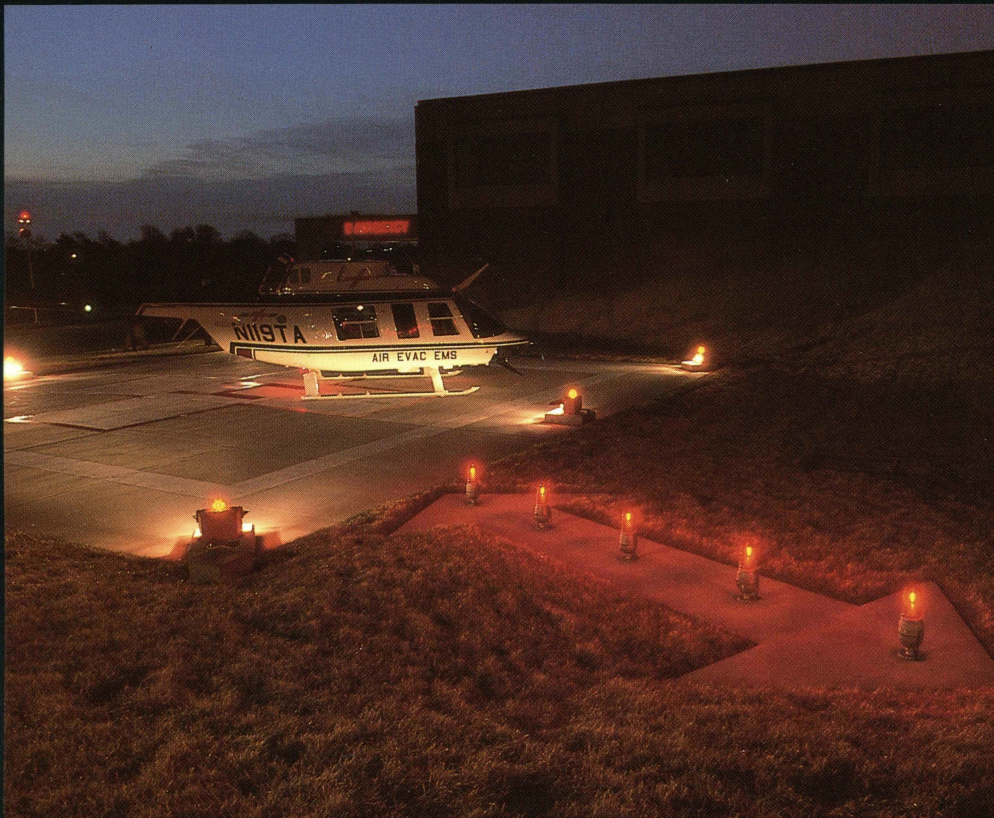
AUTHORITY REPRESENTATIVES

Steven C. Davis
Executive director

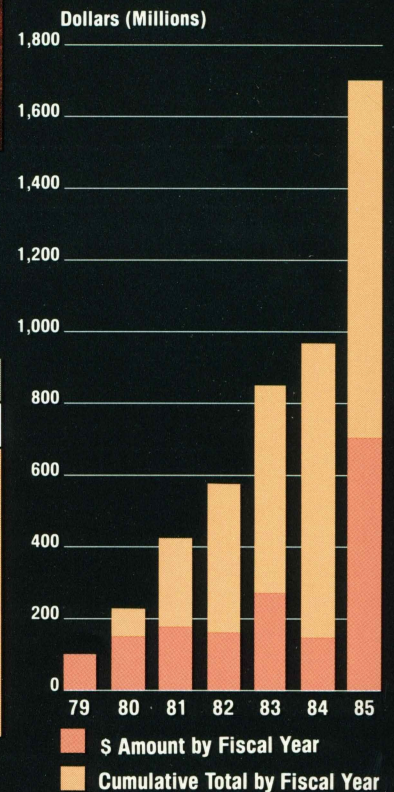
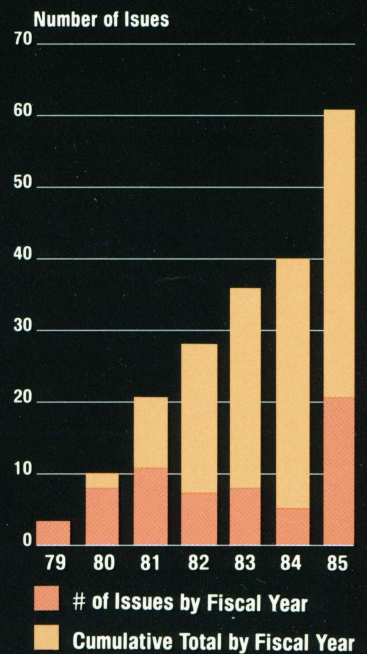
Walter L. Metcalfe, Jr.,
Bryan, Cave, McPheeters
& McRoberts
General counsel

Cain Brothers, Shattuck &
Company
Financial Advisor

"Completing \$712 million in 20 separate financings, the ... Authority experienced its most active year ever during 1985."



Lester E. Cox Medical Center,
Springfield, Missouri



Cumulative Summary of Financings

Year	Public Issue Bonds		Private Issue Bonds		Notes		TOTAL	
	#	Amount	#	Amount	#	Amount	#	Amount
1979	1	\$ 63,100,000	—	—	1	\$ 20,000,000	2	\$ 83,100,000
1980	3	112,765,000	2	\$ 5,795,000	3	23,245,000	8	141,805,000
1981	4	79,285,000	3	20,350,000	4	94,000,000	11	193,635,000
1982	4	113,935,000	—	—	3	61,000,000	7	174,935,000
1983	4	155,350,000	4	96,110,000	—	—	8	251,460,000
1984	2	34,890,000	2	109,465,000	—	—	4	144,355,000
1985	16	612,625,000	3	23,825,000	1	75,550,000	20	712,000,000
Total	34	1,171,950,000	14	255,545,000	12	273,795,000	60	1,701,290,000

The Authority assists hospitals, health care institutions, colleges and universities in financing equipment purchases and capital projects at the lowest possible cost. In addition, the Authority began to fund some of the needs of public school districts in the state with tax exempt funds in 1985.

During 1985, the Authority expanded the use of credit enhancements for its financings. Letters of Credit, liquidity facilities and Municipal Bond Insurance Policies were used for new money issues and refunding issues, as appropriate, to reduce the borrowers' overall cost of funds. The credit enhancements resulted in higher ratings and lower interest costs in the marketplace.

As in the past, 1985 saw the use of both the private placement and public sale of the Authority's issues, with the method of marketing dependent on the specific details of each issue.

Financing options which the Authority offers to Missouri Institutions consist of the following debt instruments.

Floating or Fixed Rate Notes.

The interest rate on these one to two year instruments either floats, with the rate adjusted periodically, or is fixed for its term. The borrower is able to take advantage of lower interest rates while planning long-term financing according to projected needs.

Floating Rate Bonds.

While these instruments have nominal long-term maturity, the interest rate is adjusted periodically (usually daily or weekly) unless it is "fixed" to maturity. The borrower is able to take advantage of low short-term rates, but also, if conditions warrant, to lock in a fixed interest rate without many of the costs associated with a new issuance of bonds. During 1985, daily and weekly adjustable rates ranged from a low of 4.35% to a high of 9.125% with an average rate of 5.40%. The Authority used floating rate bonds to provide funds to individual institutions as well as to fund its second Equipment and Capital Loan Program.

Fixed Rate Bonds.

A. Short to Intermediate Term Bonds. A variation of traditional fixed rate long-term loans, these fully amortized bonds are for borrowers who desire shorter prepayment provisions and can generate sufficient revenues to retire the principal over a shorter maturity. The bonds are generally issued for periods ranging from 10-15 years, with a 5-8 year prepayment provision.

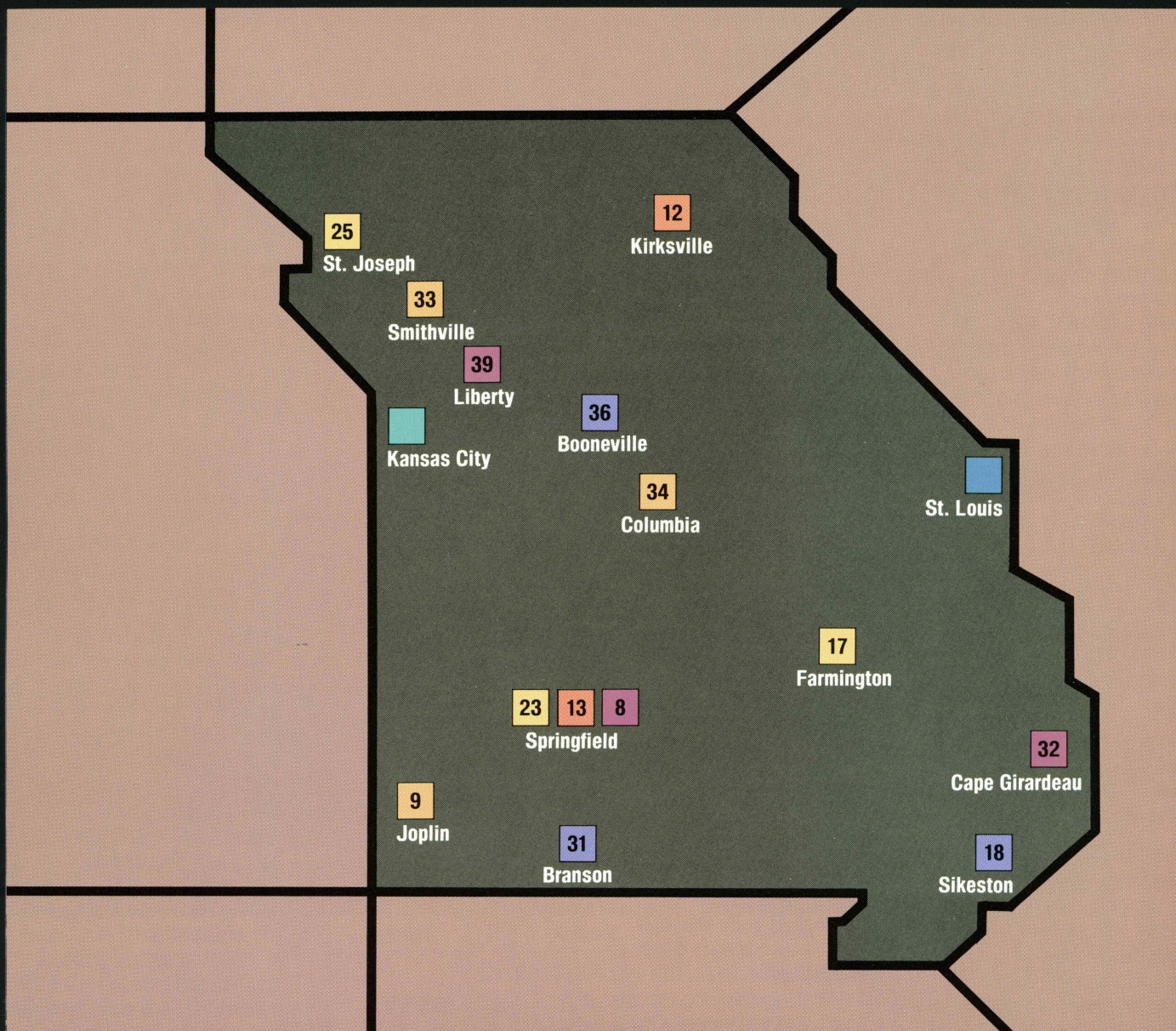
B. Long Term Bonds. The traditional 20 to 30 year fully amortized term bond is issued at prevailing market rates. This type of instrument offers the security of fixed rates and the opportunity to stabilize interest costs in a volatile market while matching a longer term liability with the expected useful life of the asset.

Equipment and Capital Financing.

Through its \$130,000,000 Equipment and Capital Loan Program financing, the Authority provides floating rate loans to eligible institutions statewide for a variety of equipment purchases and capital projects. In addition to the low short-term interest rate, the borrowers share the benefits of the economies of scale associated with a large financing, but can borrow as little as required for their specific needs. Processing is kept to a minimum for each borrower and funds are available within a short period of time after loan approval. Individual loans are the responsibility of the borrowing institution which must qualify under guidelines established by the Program's insurer, the Municipal Bond Insurance Association.

School District Financing.

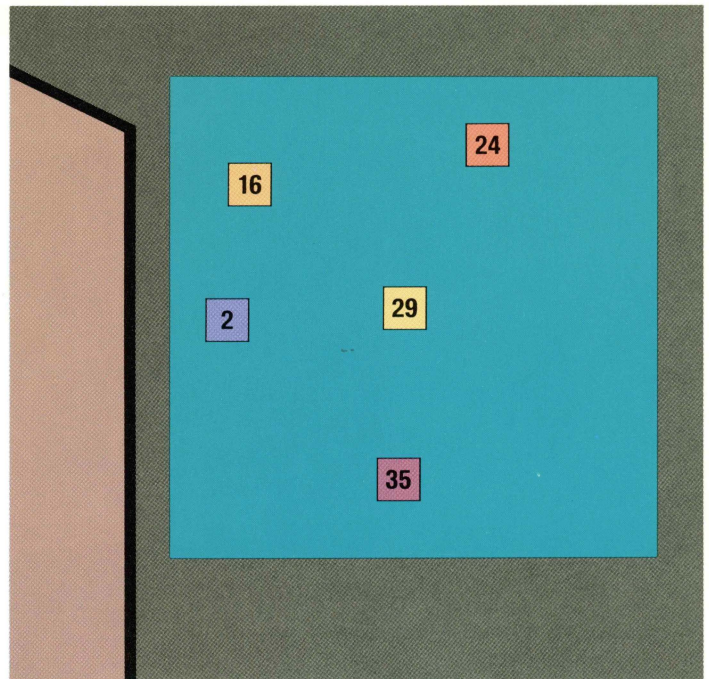
During 1985, the Authority initiated its Public School District Tax Anticipation Funding Program with the issuance of \$75,550,000 of short-term notes. Proceeds from this issue provided funds for loans to public school districts and community colleges across the state to meet their seasonal cash flow needs. The two-year fixed rate notes will advance funds, at a rate of 2.60% to approved school districts and colleges in anticipation of tax and other revenues collected at a later date. As in the case of the Equipment and Capital Loan Program, borrowers are able to benefit from the lower cost of a large financing, without much of the time and incidental costs associated with an individual note or bond issue.



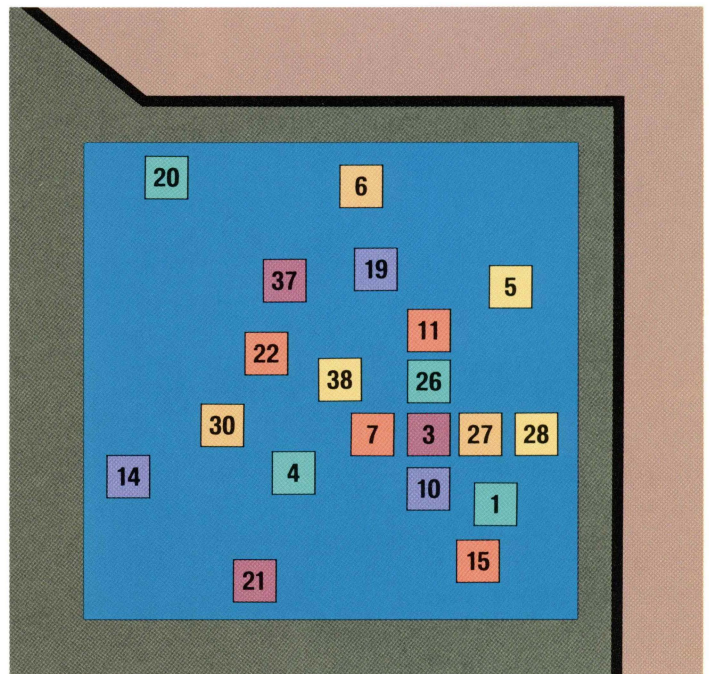
Map showing geographic location of borrowing institutions

INSTITUTIONS

1. Alexian Brothers Hospital of St. Louis
2. Baptist Memorial Hospital
3. Barnes Hospital
4. Bethesda Health Group
5. Central Medical Center
6. Christian Hospital NE/NW
7. Deaconess Hospital
8. Evangel College
9. Freeman Hospital
10. Incarnate Word Hospital
11. The Jewish Hospital of St. Louis
12. Kirksville College of Osteopathic Medicine
13. Lester E. Cox Medical Center
14. Logan College
15. Lutheran Medical Center
16. Menorah Medical Center
17. Mineral Area Osteopathic Hospital
18. Missouri Delta Community Hospital
19. Normandy Osteopathic Hospital
20. Parkside Meadows
21. St. Anthony's Medical Center
22. St. John's Mercy Medical Center
23. St. John's Regional Health Center
24. St. Joseph's Hospital-Kansas City
25. St. Joseph's Hospital-St. Joseph
26. St. Louis Children's Hospital
27. St. Louis College of Pharmacy
28. St. Louis University
29. St. Luke's Hospital-Kansas City
30. St. Luke's Health Corp.-St. Louis
31. Skaggs Community Hospital
32. Southeast Missouri Hospital
33. Spelman Memorial Hospital
34. Stephens College
35. Trinity Lutheran Hospital
36. Valley Hope Association
37. Village North, Incorporated
38. Washington University
39. William Jewell College



Kansas City



St. Louis

... the Authority offers funds through its Equipment and Capital Loan Program. As a result of this program's completion, funds are currently available to Missouri institutions...



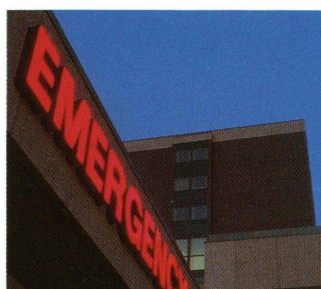
St. Luke's Health Corp., Chesterfield, Missouri

FISCAL 1985**Health and Educational
Projects Financed**

Series/Notes	Institution	Location	Amount
Series 1985	Deaconess Hospital	St. Louis	\$ 32,770,000
Series 1985	The Jewish Hospital of St. Louis	St. Louis	38,000,000
Series 1985	Southeast Missouri Hospital Assoc.	Cape Girardeau	21,530,000
Series 1985	Parkside Meadows	St. Charles	3,500,000
Series 1985	Alexian Brothers Hospital	St. Louis	15,590,000
Series 1985	St. John's Mercy Medical Center	St. Louis	23,975,000
Revenue Notes	School District Advance Funding Program	Statewide	75,550,000
Series 1985	St. John's Mercy Medical Center	St. Louis	33,500,000
Series 1985	St. John's Regional Health Center	Springfield	35,300,000
Series 1985	Equipment and Capital Loan Program	State Wide	130,000,000
Series 1985	Barnes Hospital	St. Louis	18,725,000
Series 1985	Christian Hospital Development Corp.	St. Louis	84,760,000
Series 1985	Incarnate Word Hospital	St. Louis	10,000,000
Series 1985	St. Louis University	St. Louis	20,000,000
Series 1985	St. Louis University	St. Louis	8,900,000
Series 1985	St. Louis College of Pharmacy	St. Louis	5,000,000
Series 1985	Logan College	Chesterfield	1,600,000
Series 1985	St. Luke's Health Corp.	Chesterfield	60,000,000
Series 1985	Barnes Hospital	St. Louis	44,800,000
Series 1985	Washington University	St. Louis	48,500,000

FISCAL 1984**Health and Educational
Projects Financed**

Series/Notes	Institution	Location	Amount
Series 1984	Combined Christian Health Services Dev. Corp. and Christian Hospital NE/NW	St. Louis	\$25,065,000
Series 1984	Barnes Hospital	St. Louis	17,995,000
Series 1984	Washington University	St. Louis	84,400,000
Series 1984	Christian Hospital	St. Louis	16,895,000



"As a result of the record number of financings completed in 1985, the Authority expects to lower once again its Annual Service Fee."



St. Louis University, St. Louis, Missouri

FISCAL 1983

Series/Notes	Institution	Location	Amount
Series 1983	Christian Hospital NE/NW	St. Louis	\$ 15,600,000
Series 1983	Skaggs Community Hospital Assoc.	Branson	7,410,000
Series 1983	Lester E. Cox Medical Center	Springfield	100,730,000
Series 1983	Freeman Hospital	Joplin	20,710,000
Series 1983	St. Louis University	St. Louis	19,625,000
Series 1983	Bethesda Health Group of St. Louis	St. Louis	14,285,000
Series 1983	Stephens College	Columbia	1,600,000
Series 1983	Sisters of Mercy	St. Louis and Springfield	71,500,000

**Health and Educational
Projects Financed****FISCAL 1982**

Series/Notes	Institution	Location	Amount
Series 1982	Southeast Missouri Hospital Assoc.	Cape Girardeau	\$19,000,000
Series 1982	Alexian Brothers of St. Louis, Inc.	St. Louis	15,225,000
Series 1982	Hospital Equipment Financing Program	State Wide	29,710,000
Series 1982	Sisters of Mercy	St. Louis and Springfield	50,000,000
Series 1982	Lester E. Cox Medical Center	Springfield	47,000,000
Series 1982	Kirkville College of Osteopathic Medicine	Kirkville	4,000,000
Series 1982	St. Louis University	St. Louis	10,000,000

**Health and Educational
Projects Financed**

*Interest paid on Authority
bonds and notes is exempt
from Federal and Missouri
state income taxation,
resulting in materially lower
borrowing rates.*



Barnes Hospital, St. Louis, Missouri

FISCAL 1981**Health and Educational
Projects Financed**

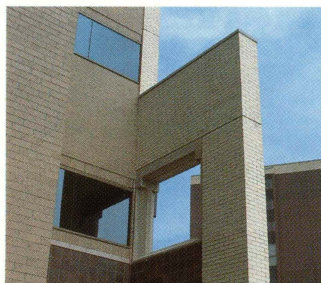
Series/Notes	Institution	Location	Amount
Series 1981	Trinity Lutheran Hospital	Kansas City	\$25,645,000
Revenue Notes	Spelman Memorial Hospital	Smithville	4,000,000
Revenue Notes	Normandy Osteopathic Hospital	St. Louis	7,000,000
Series 1981	Central Medical Center	St. Louis	23,265,000
Series 1981	Evangel College	Springfield	3,300,000
Revenue Notes	St. Luke's Hospital	Kansas City	14,800,000
Series 1981	Incarnate Word Hospital	St. Louis	13,500,000
Series 1981	William Jewell College	Liberty	2,250,000
Series 1981	Washington University	St. Louis	60,000,000
Revenue Notes	Christian Hospital NE/NW	St. Louis	23,000,000
Series 1981	St. Louis University	St. Louis	16,875,000

FISCAL 1980**Health and Educational
Projects Financed**

Series/Notes	Institution	Location	Amount
Series 1980	St. Joseph Hospital	St. Joseph	\$29,415,000
Series 1980	St. Louis University	St. Louis	10,245,000
Revenue Notes	Kirksville College of Osteopathic Medicine	Kirksville	3,000,000
Series 1980	Washington University	St. Louis	21,550,000
Revenue Notes	St. Luke's Hospital	Kansas City	10,000,000
Series 1980	St. Louis Children's Hospital	St. Louis	61,800,000
Series 1980	Valley Hope Assoc.	Booneville	795,000
Series 1980	St. Anthony's Medical Center	St. Louis	5,000,000

FISCAL 1979**Health and Educational
Projects Financed**

Series/Notes	Institution	Location	Amount
Revenue Notes	Menorah Medical	Kansas City	\$20,000,000
Series 1979	St. Anthony's Medical Center	St. Louis	63,100,000



The Authority assists hospitals, health care institutions, colleges and universities in financing equipment purchases and capital projects at the lowest possible cost.



*Southeast Missouri Hospital Assoc.,
Cape Girardeau, Missouri*

AUDITORS' REPORT

**Deloitte
Haskins & Sells**

Ten Broadway
Saint Louis, Missouri 63102-1791
(314) 231-1123
Telex: 447638

To the Members of the
Health and Educational
Facilities Authority of the
State of Missouri:

We have examined the balance sheets of the Health and Educational Facilities Authority of the State of Missouri (the "Authority") as of December 31, 1985 and 1984, and the related statements of revenues, expenses and changes in fund balance of the operating fund, and of changes in fund balances of restricted funds and of changes in cash of the operating fund for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Authority at December 31, 1985 and 1984, and the revenues, expenses and changes in fund balance of the operating fund, the changes in fund balances of restricted funds and the changes in cash of the operating fund for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Deloitte
Haskins & Sells*

March 7, 1986

Balance Sheets, December 31, 1985 and 1984

Assets	Notes	1985	1984
Operating Fund			
Cash and Cash Equivalents		\$ 715,327	\$ 428,885
Receivables		66,521	61,436
Prepaid Expenses		8,083	9,480
Fixed Assets, at cost (net of accumulated depreciation of \$26,756 and \$19,246 in 1985 and 1984, respectively)	2	45,355	40,994
		<u>\$ 835,286</u>	<u>\$ 540,795</u>
Restricted Funds			
Funds Held By Trustees, at cost which approximates market value	10	\$ 614,966,612	\$ 242,198,380
Mortgages Receivable	4	949,856,667	563,245,000
Demand Revenue Notes Receivable	5	119,900,000	119,465,000
Commercial Paper Notes Receivable	6		70,157,000
Hospital Equipment Notes Receivable	7	2,884,099	5,693,857
Public School Notes Receivable	8	11,490,773	
		<u>\$1,699,098,151</u>	<u>\$1,000,759,237</u>
Liabilities and Fund Balances			
Operating Fund			
Accounts Payable and Accrued Expenses		\$ 37,785	\$ 42,883
Deferred Administrative Fee Income	2	114,274	50,621
Fund Balance		683,227	447,291
		<u>\$ 835,286</u>	<u>\$ 540,795</u>
Restricted Funds			
Accrued Interest Payable		\$ 14,133,653	\$ 13,097,555
Revenue Bonds Payable	3	1,293,693,095	776,642,000
Fund Balances, restricted under indenture of trust	12	391,271,403	211,019,682
		<u>\$1,699,098,151</u>	<u>\$1,000,759,237</u>

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Fund Balance of the Operating Fund*For the Years Ended December 31, 1985 and 1984*

	1985	1984
Revenues:		
Application fees	\$ 19,000	\$ 55,000
Administrative fees	474,501	421,046
Investment income	69,544	33,236
Other	13,869	60,854
	<u>576,914</u>	<u>570,136</u>
Expenses:		
Salaries and fringe benefits	128,487	131,722
General and administrative expenses	104,127	98,354
Legal and professional fees	108,364	127,872
	<u>340,978</u>	<u>357,948</u>
Excess of Revenues over Expenses	235,936	212,188
Fund Balance—beginning of year	447,291	235,103
Fund Balance—end of year	<u>\$683,227</u>	<u>\$447,291</u>

Statements of Changes in Cash of the Operating Fund*For the Years Ended December 31, 1985 and 1984*

	1985	1984
Cash Was Provided By:		
Operations:		
Excess of revenues over expenses	\$235,936	\$212,188
Add item not requiring outlay of cash— depreciation, amortization and loss on asset disposal	7,672	7,015
	<u>243,608</u>	<u>219,203</u>
Increase in deferred administrative fee income	63,653	
Decrease in prepaid expenses	1,397	
	<u>308,658</u>	<u>219,203</u>
Cash Was Used For:		
Increase in prepaid expenses		810
Fixed asset additions	12,033	12,641
Decrease in accounts payable and accrued expenses	5,098	25,990
Increase in receivables	5,085	15,211
Decrease in deferred administrative fee income		19,696
	<u>22,216</u>	<u>74,348</u>
Increase in Cash	<u>\$286,442</u>	<u>\$144,855</u>

See accompanying notes to financial statements.

Statements of Changes in Fund Balances of Restricted Funds

For the Years Ended December 31, 1985 and 1984

	Construction Funds	Bond Principal and Interest Funds	Debt Service and Reserve Funds	Refund Escrow Funds	Total
Restricted Fund Balances, December 31, 1983	\$ 110,154,598	\$ 36,703,251	\$ 55,268,819	\$47,413,357	\$ 249,540,025
Increases in Balances Resulted From:					
Face amount of bond issues	84,513,181	95,115,819	22,803,000		202,432,000
Less—deductions at time of sale	(1,005,275)	(33,400)	(744,056)		(1,782,731)
Accrued interest on bonds at date of sale	29,192		90,828		120,020
Interest income	8,416,371	7,616,828	6,938,518	4,953,962	27,925,679
Required additions to funds	12,851,602	73,270,187	3,113,746	3,704,072	92,939,607
Other		16,848			16,848
Decreases in Balances Resulted From:					
Project payments made	(143,792,500)	(3,364,422)	(19,144,694)	(91,911)	(166,393,527)
Retirement of institutions' existing debt		(111,746,667)			(111,746,667)
Transfers to defeasance escrow account		(13,320,000)			(13,320,000)
Interest paid or due to bondholders	(651,115)	(67,296,850)	(3,076)	(760,531)	(68,711,572)
Interfund transfers	(4,158,989)	15,439,517	(4,548,857)	(6,731,671)	
Restricted Fund Balances, December 31, 1984	\$ 66,357,065	\$ 32,401,111	\$ 63,774,228	\$48,487,278	\$ 211,019,682
Increases in Balances Resulted From:					
Face amount of bond issues	\$ 236,816,016	454,353,880	20,830,104		712,000,000
Less—deductions at time of sale	(22,406,342)	(8,776,400)	(154,234)		(31,336,976)
Accrued interest on bonds at date of sale		938,895			938,895
Interest Income	5,495,989	7,819,725	6,920,374	4,961,498	25,197,586
Required additions to funds	10,844,096	148,879,732	1,168,408	15,793,034	176,685,270
Decreases in Balances Resulted From:					
Project payments made	(115,591,053)	(121,416,566)	(13,156)		(237,020,775)
Retirement of institutions' existing debt		(87,508,905)			(87,508,905)
Transfers to defeasance escrow account		(107,440,000)			(107,440,000)
Interest paid or due to bondholders	(4,670,650)	(72,332,115)	(102,752)		(77,105,517)
Interfund transfers	33,658,500	(34,034,004)	9,106,747	(8,731,244)	
Undisbursed proceeds of Public School District Bond issue		(64,059,227)			(64,059,227)
Undisbursed proceeds of Equipment and Capital Loan Program		(130,000,000)			(130,000,000)
Other		(98,630)			(98,630)
Restricted Fund Balances, December 31, 1985	<u>\$ 210,503,622</u>	<u>\$ 18,727,496</u>	<u>\$101,529,719</u>	<u>\$60,510,566</u>	<u>\$ 391,271,403</u>

See accompanying notes to financial statements.

Notes to Financial Statements

For the Years Ended December 31, 1985 and 1984

1. Organization

The Health and Educational Facilities Authority of the State of Missouri (the "Authority") is a public instrumentality of the State of Missouri intended to provide an additional capital financing method for non-profit health and educational institutions within the State. The Authority may issue tax-exempt revenue bonds, notes or other obligations on behalf of non-profit institutions for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes or other obligations and the

interest thereon do not constitute a debt or liability of the State of Missouri or any political subdivision thereof, but are special obligations of the Authority and are payable solely from the repayments received by the Authority under the loan agreements.

The Authority, as a component unit of the State of Missouri, is an integral part of the State as a reporting entity for financial reporting purposes, and as such its financial statements are included in the State's annual financial report.

2. Summary of Significant Accounting Policies

Fund Accounting

Funds are maintained in accordance with the principles of fund accounting and in accordance with the requirements of the bond issue documents. The following is a description of the funds used by the Authority:

OPERATING FUND—accounts for revenues, expenditures, assets and liabilities related to the general administrative functions of the Authority.

CONSTRUCTION FUNDS—accounts for the receipt and disbursement of bond proceeds and other monies used in the construction of projects financed through the Authority.

BOND PRINCIPAL AND INTEREST FUNDS—accounts for receipts of required deposits from institutions which by terms of the indenture agreement are subsequently disbursed for the payment of bond principal and interest. In addition, the trustees have accounted for the receipt of the net proceeds of some bond issues and other project payments in this fund.

DEBT SERVICE AND RESERVE FUNDS—accounts for the receipt and disbursement of assets held in reserve in compliance with

each bond issue. The fund balances are generally required to be maintained at an amount equal to the greatest amount of interest and principal payable in the current or any future bond year.

REFUND ESCROW FUNDS—accounts for receipts and disbursements of bond proceeds required by the bond indenture agreement to be used for payment of principal and interest on previously issued and refunded bonds, which have not been defeased.

The assets of the Construction Funds, Bond Principal and Interest Funds, Debt Service and Reserve Funds, and Escrow Funds are held by trustees in accordance with the bond resolutions.

Depreciation

Depreciation expense for fixed assets is recognized on the straight-line method over estimated useful lives of 3-10 years.

Deferred Administrative Fee Income

The Authority's revenues are derived from service fees assessed on a percentage of the outstanding bond principal of each issue. The institutions are generally billed in advance on a quarterly basis and revenues are recognized ratably over the period covered.

3. Revenue Bonds Payable

Funds received under the various forms of tax-exempt indebtedness issued by the Authority have been loaned to health and educational institutions which are required to make payments to the Authority or trustee sufficient to meet the principal and interest requirements

of the related tax-exempt obligations. The institutions, terms and amounts of the debt and related loans receivable outstanding at December 31, 1985, are described in the following notes, and are summarized as follows:

Mortgage Bonds Payable	\$ 949,856,667
Demand Revenue Bonds Payable	119,900,000
Hospital Equipment Bonds Payable	148,386,428
Public School Bonds Payable	75,550,000
Total Revenue Bonds Payable	<u>\$1,293,693,095</u>

The aggregate maturities of outstanding revenue bonds are:

Year	Amount	Year	Amount
1986	\$ 23,720,372	2001	26,439,559
1987	120,472,848	2002	27,857,371
1988	31,545,751	2003	29,700,798
1989	22,076,955	2004	52,834,888
1990	25,715,103	2005	60,757,819
1991	25,548,498	2006	36,165,143
1992	20,192,160	2007	39,293,549
1993	21,686,109	2008	43,065,000
1994	152,890,371	2009	45,215,000
1995	24,489,968	2010	40,620,000
1996	26,239,926	2011	36,890,000
1997	27,163,609	2012	35,135,000
1998	29,239,379	2013	42,600,000
1999	28,835,603	2014	22,420,000
2000	31,417,316	2015	98,250,000
		2016	45,215,000
			<u>\$1,293,693,095</u>

4. Mortgages Receivable

The following revenue bonds of the Authority are collateralized by first mortgages on the physical property financed with the proceeds of the debt offerings, mortgage payments received by the Authority

from the institutions and by the Authority's assignment of its security interest in the mortgaged properties to the trustees of the bond issues.

Institution	Due in Varying Installments During	Range of Annual Interest Rate Percentages	Amount
Public Revenue Bond Offerings:			
St. Anthony's Medical Center	1986-2009	7.0-9.0%	\$ 60,235,000
St. Joseph Hospital	1986-2010	7.4-9.375	28,500,000
Washington University	1986-2005	6.8-8.3	17,285,000
St. Louis Children's Hospital	1986-2013	7.35-10.50	60,940,000
Trinity Lutheran Hospital	1986-2013	8.25-11.375	25,485,000
Central Medical Center	1986-2011	14.0	23,000,000
Incarnate Word Hospital	1986-1991	9.0-12.0	8,785,000
Lester E. Cox Medical Center	1986-2015	6.25-10.125	100,555,000
Freeman Hospital	1986-2013	6.75-10.625	20,710,000
St. Louis University	1986-2011	5.75-9.875	19,185,000
Bethesda Health Group of St. Louis	1986-2008	6.5-10.125	14,285,000
St. Louis College of Pharmacy	1988-2015	(1)	5,000,000
Washington University	1986-2010	(1)	48,500,000
Southeast Missouri Hospital	1986-2004	5.25-9.0	21,530,000
Christian Hospital, Northeast-Northwest	1986-2015	5.5-9.25	84,760,000
Alexian Brothers of St. Louis, Inc.	1987-2015	6.25-9.5	15,590,000
Incarnate Word Hospital	1986-2015	5.75-9.0	10,000,000
Barnes Hospital	1986-2015	(1)	44,800,000
Deaconess Hospital	1986-2015	5.5-9.875	32,770,000
Jewish Hospital	1988-2015	(1)	38,000,000
St. John's Mercy Medical Center	1987-2015	(1)	33,500,000
St. John's Regional Medical Center	1987-2015	(1)	35,300,000
St. Luke's Hospital of St. Louis	1986-2016	5.5-9.0	60,000,000
St. John's Mercy Medical Center	1986-2000	5.35-9.0	23,975,000
			<u>832,690,000</u>
Private Placement Revenue Bond Offerings:			
Menorah Medical Center	1986-2002	7.625	15,350,000
Kirkville College of Osteopathic Medicine	1986-1987	(1)	3,155,000
Valley Hope Association	1986-1990	9.0-9.75	475,000
St. Anthony's Medical Center	1986-2011	11.5	4,890,000
Spelman Memorial Hospital	1986-1996	(1)	2,733,334
Normandy Osteopathic Hospital	1986-1987	(1)	6,533,333
Evangel College of the Assemblies of God	1986-2001	11.25	3,065,000
William Jewel College	1986-1991	(1)	1,625,000
Lester E. Cox Medical Center	1986-2012	(1)	46,825,000
Skaggs Community Hospital	1988-2013	(1)	7,410,000
Stephens College	1986-1993	(1)	1,280,000
Barnes Hospital	1986-2015	5.25-8.75	18,725,000
Parkside Meadows, Inc.	1987-2005	(1)	3,500,000
Logan College	1987-2007	(1)	1,600,000
			<u>117,166,667</u>
Total revenue bond offerings			<u>\$949,856,667</u>

(1) Rate fluctuates with the prime rate within established minimum and maximum ranges.

5. Demand Revenue Notes Receivable

As of December 31, 1985, the Authority had demand notes receivable as follows:

Institution	Maturity	Amount
St. Louis University	October 7, 1987 (2)	\$ 10,000,000
Washington University	1986-2009 (2)	81,000,000
St. Louis University	1986-2005 (1)	8,900,000
St. Louis University	1986-1991 (1)	20,000,000
		<u>\$119,900,000</u>

- (1) Rate fluctuates with the prime rate within established minimum and maximum ranges.
- (2) Rate fluctuates with the tax-exempt or variable bond market rate up to a maximum limit.

These notes are due at maturity or upon demand by the note holder, and are collateralized by irrevocable letters of credit or similar credit agreements with major banks.

6. Commercial Paper Notes Receivable

In 1984, the Authority maintained a tax-exempt commercial paper program of \$71,500,000. The funds from the commercial paper program were used to finance capital costs incurred by St. John's Mercy Medical Center in St. Louis, Missouri, and St. John's

Regional Health Center in Springfield, Missouri. The commercial paper program ended in 1985 with the issuance of the Series 1985 Revenue Bond Offerings for St. John's Mercy Medical Center and St. John's Regional Medical Center.

7. Hospital Equipment Notes Receivable

During 1982, the Authority issued hospital equipment revenue bonds for \$29,710,000 under the Hospital Equipment Financing Program. These revenue bonds mature in various instalments from 1986 through 1988 at interest rates which fluctuate from 9.25% to 10.50%. These revenue bonds are collateralized by an insurance

policy with the American Municipal Bond Assurance Corporation (AMBAC). As of December 31, 1985, \$18,386,428 of hospital equipment revenue bonds were outstanding and the related hospital equipment notes receivable were:

Institution	Amount
Freeman Hospital	\$ 452,142
Mineral Area Osteopathic Hospital, Inc.	36,042
St. Joseph Hospital of Kansas City, Missouri	530,460
Baptist Memorial Hospital	416,622
Southeast Missouri Hospital Association	599,029
Missouri Delta Community Hospital	146,291
Deaconess Hospital	703,513
	<u>\$2,884,099</u>

These hospital equipment notes are due in monthly instalments until maturity in 1988. The notes bear interest at a rate of 10.8% per annum on the outstanding principal balance.

During 1985, the Authority issued hospital equipment revenue bonds for \$130,000,000 under the Equipment and Capital Loan

Program. These revenue bonds mature November 1, 1994 at a variable interest rate as set by the Interest Rate Committee not to exceed 14%. As of December 31, 1985, all of these bonds were outstanding and no amounts had been loaned under this Program.

8. Public School Bonds Payable

During 1985, the Authority issued public school bonds for \$75,550,000. These revenue bonds mature December 31, 1987 with interest at a rate of 2.6% per annum on the outstanding principal balance. These revenue bonds are collateralized by an Indenture of Trust for the purpose of providing funds to purchase the tax and revenue anticipation notes of certain Missouri school

districts and public community junior colleges to assist them in maintaining an orderly cash flow in the school fiscal years ended June 30, 1986 and June 30, 1987. As of December 31, 1985, all of the public school revenue bonds were outstanding and the related public school notes receivable were:

Institution	Amount
St. Louis Community College	\$ 9,221,597
Jennings School District	1,540,718
Harrisonville Cass 7-9	379,705
Brentwood Public Schools	304,068
STET R-15	44,685
	<u>\$11,490,773</u>

9. Defeased Bond Issues

During 1983, the Authority issued St. Louis University Series 1983 Educational Facilities Revenue Refunding Bonds, which refinanced, through a defeasance, the Authority's St. Louis University Series 1981 Revenue Bonds then outstanding.

During 1984, St. Luke's Hospital obtained outside financing to advance refund and defease its Series 1982 Revenue Bonds issued through the Authority.

During 1985, the following institutions obtained outside financing to advance refund and defease their Revenue Bonds or Demand Revenue Notes issued through the Authority:

Alexian Brothers of St. Louis, Inc., Series 1980
Southeast Missouri Hospital, Series 1980

Barnes Hospital, Series 1984
Christian Hospital, Northeast-Northwest, Series 1984
Christian Hospital, Northeast-Northwest, and Village North, Inc., Series 1982
Christian Hospital, Northeast-Northwest Demand Revenue Notes, Series 1983

Pursuant to the requirements of the bond loan agreements, the institutions have deposited into escrow trust accounts amounts sufficient to pay all remaining principal, interest and redemption premiums as they become due. The amounts so transferred are pledged solely for the holders of the outstanding bonds.

As of December 31, 1985, the following amounts of advance refunded and defeased bonds were outstanding:

St. Louis University, Series 1981	\$ 16,490,000
St. Luke's Hospital of Kansas City, Series 1982	12,210,000
Alexian Brothers of St. Louis, Inc., Series 1980	13,840,000
Southeast Missouri Hospital, Series 1980	18,755,000
Barnes Hospital, Series 1984	17,865,000
Christian Hospital, Northeast-Northwest, Series 1984	16,535,000
Christian Hospital, Northeast-Northwest, and Village North, Inc., Series 1982	15,380,000
Christian Hospital, Northeast-Northwest Demand Revenue Notes, Series 1983	25,065,000
	<u>\$136,140,000</u>

Due to the defeasance of these bond issues, the related notes receivable and bonds payable balances are not included in the accompanying balance sheet.

10. Funds Held By Trustees

Proceeds of the debt issues are deposited with trustees and invested or disbursed in accordance with the terms of the applicable

trust indenture. As of December 31, 1985, the trustee funds consisted of the following:

	Cash	Investments	Accrued Interest Receivable	Total
Construction Funds	\$ 177,112	\$209,263,412	\$1,063,098	\$210,503,622
Bond Principal and Interest Funds	2,793,097	232,642,390	2,461,308	237,896,795
Debt Service and Reserve Funds	162,272	104,152,768	1,740,589	106,055,629
Escrow Funds	1	60,063,601	446,964	60,510,566
	<u>\$3,132,482</u>	<u>\$606,122,171</u>	<u>\$5,711,959</u>	<u>\$614,966,612</u>

Investments are limited to obligations of the United States of America or obligations of banking institutions which are insured by governmental agencies.

Amounts reflected above in the Escrow Funds do not include amounts deposited for defeased bond issues described in Note 9.

11. Lease Commitment

The Authority has a lease commitment for its offices through August 1987 at an annual rental of approximately \$27,000.

12. Restricted Fund Balances

The balances in the restricted funds as of December 31, 1985, represent the amounts required by the terms of the trust indentures related to the outstanding tax-exempt debt offerings, as follows:

Tax-Exempt Offering	Construction Funds	Bond Principal and Interest Funds	Debt Service and Reserve Funds	Refund Escrow Funds	Total
Valley Hope Association		\$ 20,879	\$ 133,394		\$ 154,273
St. Anthony's Medical Center	\$ 535,549	(46,863)			488,686
Evangel College of the Assemblies of God		178,665	428,425		607,090
Lester E. Cox Medical Center	4,337,708	(832,285)			3,505,423
Skaggs Community Hospital			1,128,123		1,128,123
Logan College of Chiropractic	1,576,995				1,576,995
Hospital Equipment Financing Program		2,306,029			2,306,029
Washington University	8,418,320	385,838	5,974,516		14,778,674
Christian Hospital, Northeast-Northwest		1,112,479			1,112,479
St. John's Mercy Medical Center		268,227	2,942,935		3,211,162
Parkside Meadows, Inc.	3,044,696	378,106			3,422,802
Equipment and Capital Loan Program		(4,327,973)			(4,327,973)
Public School Loan Program		(386,060)			(386,060)
St. Anthony's Medical Center		(34,250)	8,949,903		8,915,653
St. Joseph's Hospital	1,333,157	1,876,316	2,900,587		6,110,060
Washington University		(208,112)	2,424,324		2,216,212
St. Louis Children's Hospital	5,107,946	391,807	6,833,439		12,333,192
Trinity Lutheran Hospital	1,753,348	286,019	3,079,719		5,119,086
Central Medical Center		(268,333)	3,673,875		3,405,542
Incarnate Word Hospital		(129,478)			(129,478)
Alexian Brothers of St. Louis, Inc.		505,256	2,225,391		2,730,647
Southeast Missouri Hospital		415,397			415,397
Lester E. Cox Medical Center		(196,154)	10,828,995	\$47,228,664	57,861,505
Freeman Hospital	754,361	65,308	2,434,675		3,254,344
St. Louis University	52,996	60,611	2,300,178		2,413,785
Bethesda Health Group of St. Louis	1,072,056	449,143	2,064,195		3,585,394
Barnes Hospital		(424)			(424)
Christian Hospital, Northeast-Northwest		(484)			(484)
Southeast Missouri Hospital		537,246	2,378,830		2,916,076
St. John's Mercy Medical Center	6,830,197	(120,831)	3,503,576		10,212,942
Alexian Brothers of St. Louis, Inc.		480,094	1,611,625		2,091,719
St. John's Regional Medical Center		(142,733)	3,693,352		3,550,619
St. Louis University	18,441,184	(42,192)	1,401,553		19,800,545
Incarnate Word Hospital		1,898,824		13,281,871	15,180,695
St. Louis College of Pharmacy	4,759,503	146,608			4,906,111
Barnes Hospital	30,238,871	3,016,969	3,136,577		36,392,417
Washington University	42,096,694	2,699,786	3,395,625		48,192,105
Jewish Hospital	13,055,441	(114,233)	3,827,617		16,768,825
St. Lukes Hospital of St. Louis	35,361,472	684,676	5,731,146		41,777,294
Christian Hospital, Northeast-Northwest	15,268,111	4,905,384	6,560,835		26,734,330
Christian Hospital, Village North		357,918	1,898,480		2,256,398
Deaconess Hospital	7,978,925	2,236,999	3,654,751		13,870,675
St. Louis University	8,046,319	(18,776)	624,374		8,651,917
Barnes Hospital	439,773	135,139	1,788,704		2,363,616
Christian Hospital, Northeast-Northwest				31	31
Menorah Medical Center		(97,536)			(97,536)
William Jewell College		(54,167)			(54,167)
St. Louis University		(43,542)			(43,542)
Stephens College		(7,803)			(7,803)
Total	\$210,503,622	\$18,727,496	\$101,529,719	\$60,510,566	\$391,271,403

**Missouri
Health and Educational
Facilities Authority**

515 Olive Street
Suite 404
Saint Louis, Missouri 63101
(314) 231-3355

